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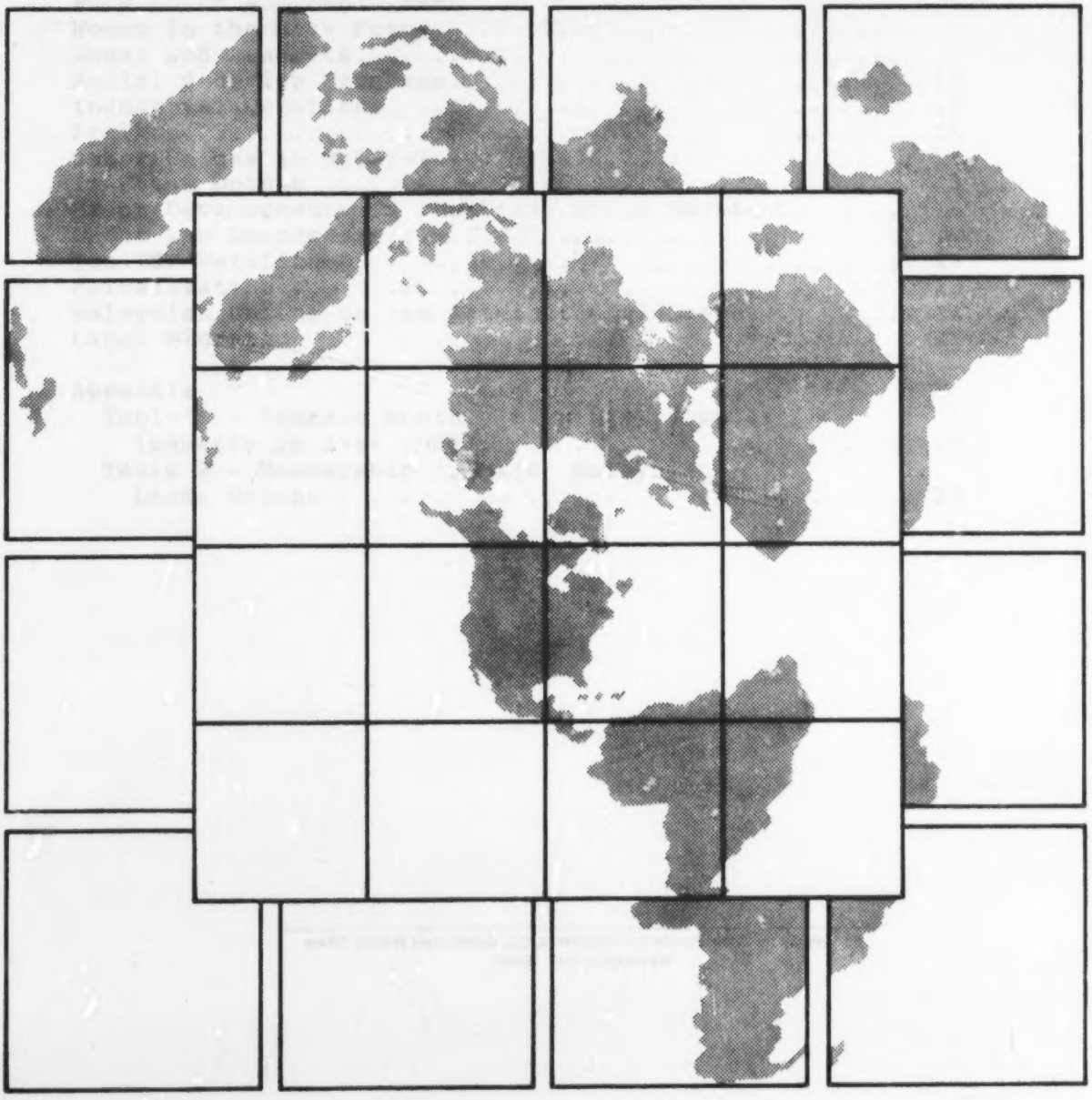

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LABOR TRENDS IN MALAYSIA

SEPTEMBER 1, 1987, to JULY 31, 1988

KEY LABOR INDICATORS

US$1= M$2.52(1987), M$2.58(1986), M$2.52(1985)
( ) indicates negative change

	1985	1986	1987	Percent Change
Per capita GNP (US$ curr. prices)	1,755	1,569	1,751	11.6
Per capita GNP (US$ 1978 prices)	1,449	1,292	1,363	5.5
Population (millions) estimates				
a) Total	15.79	16.11	16.53	2.6
b) Malays	9.48			
c) Chinese	4.88			
d) Indians	1.32			
e) Others	0.10			
Population growth rate (percent)	3.4	2.7	2.6	
Population in urban areas (mills.)	5.91	N/A	N/A	
Birth rate (per thousand)	31.3	N/A	N/A	
Life expectancy at birth				
a) Male	67.6	68.5	N/A	
b) Female	72.7	73.3	N/A	
Adult literacy rate (age 20 up)	65.0%	N/A	N/A	
Labor force (thousands)	5,917	6,089	6,260	2.8
Employment, total (thousands)	5,469	5,707	5,851	2.5
a) Agriculture	1,742	1,807	1,862	3.0
b) Mining	41	37	36	(2.7)
c) Manufacturing	836	861	914	6.2
d) Construction	391	382	362	(5.2)
e) Transp., stor.& communication	232	249	254	2.0
f) Finance, insurance, real estate & business services	166	203	205	1.0
g) Government services	820	829	836	0.8
h) Wholesale, ret. trade & hotels	939	972	1,002	3.1
i) Electricity, gas and water	40	43	44	2.3
j) Other services	263	324	336	3.7
Unemployment rate	7.6	8.5	8.7	
Number worker-days lost from industrial disputes	34,773	14,333	11,035	(23.0)
Unionization of labor	11.3%	10.9%	10.4%	
Mean household income per year (US$ current prices)	5,298	N/A	N/A	

KEY LABOR INDICATORS (continued)

Pct. of population beneath absolute poverty level	18.4%	N/A	N/A	
Rate of change in consumer prices over the preceding year	0.4%	0.6%	0.8%	
Trade with U.S.				
a) Exports (US$ Million)	2,397	2,534	3,053	20.5
b) Imports (US$ Million)	1,463	1,727	1,894	9.7

Source: Ministry of Finance, "Economic Report 1987/88"
Malaysian Department of Statistics
Bank Negara, "Annual Report 1987"
Malaysian Population Census 1980
"Occupational Wages Survey 1984 Peninsular Malaysia"
Malay. Min. of Labor, "Labor and Manpower Report 1985/86"
"Fifth Malaysian Plan 1986/1990"

Summary

This report covers labor developments in Malaysia from September 1, 1987, to July 31, 1988. The labor scene has been dominated by the economy's recovery from the most severe recession since independence, Government proposals to amend Malaysia's labor legislation in a manner seen by unions as detrimental to workers interests, and the AFL-CIO's petition seeking withdrawal of Malaysia's U.S. Generalized System of Preferences (GSP) benefits.

Malaysia's recovery from its worst recession since independence gained strength during 1987 and the first part of 1988, led by booming exports. Real output [gross domestic product (GDP)] grew 4.7 percent in 1987 (1.2 percent in 1986) paced by 12.0 percent growth in manufacturing. An improvement in Malaysia's terms of trade helped boost national income [nominal gross national product (GNP)] 10.8 percent, nearly reversing the 11.5 percent decline recorded in 1985 and 1986. Despite the improvement, nominal GNP and per capita GNP (in Malaysian dollars) remains below 1984s peak. The Malaysian Government projects real growth of 5.3 percent in 1988, and economists increasingly believe 6-7 percent growth likely.

The strong growth in 1987 boosted total employment 2.5 percent, but Malaysia's growing labor force grew 2.8 percent. The resulting rise in the unemployment rate from 8.5 percent to 8.7 percent was less than projected last year. Bank Negara (the central bank) reported that average wages for semi-skilled production workers increased 5.6 percent in 1987, compared to 6.7 percent in 1986. Union collective agreements generally provided more modest increases, an average of 4.7 percent in three-year agreements. With inflation running below one percent, this still means modest increases in real wages.

In late 1987, the Government withdrew from Parliament proposed amendments to Malaysia's labor legislation which would have altered the definition of wages (used for calculating paid leave and overtime) to exclude bonuses and certain other benefits and would have amended the definition of a trade union to explicitly state that in-house unions are legal. The trade union movement opposed both amendments. Revised versions of the amendments are to be submitted to Parliament in October.

On June 1 the AFL-CIO filed a petition with the U.S. Government seeking withdrawal of Malaysia's tariff preferences under the GSP. The petition alleged that Malaysia failed to respect internationally recognized workers rights in the areas of

freedom of association, the right to organize and bargain collectively, and minimum conditions of employment. No decision has been announced on accepting the petition for further review.

Background - Economy and Demography

The Malaysian economy has changed dramatically since independence in 1957. Twenty years of sustained rapid growth and diversification from 1965 to 1984 reduced the economy's reliance on rubber and tin through the development of newer commodities and the expansion of manufacturing. In 1987 manufacturing supplanted agriculture as the largest sector of the economy (by share of GDP) and accounted for 45 percent of export earnings. Malaysia is still the largest producer of tin and rubber in the world but has also become the largest producer of palm oil, a significant producer of petroleum, and natural gas, cocoa and tropical timber. Manufactured products include semiconductors (where Malaysia is the third largest producer after the United States and Japan), consumer electronic and electrical products, and textiles and apparel. Exports and imports each account for more than half of GNP, making the economy highly dependent on the external economic climate.

Malaysia went through its most severe economic downturn since independence in 1985 and 1986 as a result of falling world prices for the key commodities, especially petroleum, palm oil, rubber, and tin. GNP (in current prices) declined a combined 11.5 percent in 1985 and 1986, mainly the result of a deterioration in the country's terms of trade and the income received from exports. Real output was flat in the two years. Per capita income fell back to 1981 levels, cutting consumer spending, investment, and government revenues. The decline in purchasing power fed through to the manufacturing sector, resulting in layoffs and production cutbacks. The overheated construction and property sectors collapsed.

Malaysia's recovery from the recession, led by booming exports, began in late 1986 and continued to gain strength during 1987. Real output (GDP) grew 4.7 percent in 1987 (1.2 percent in 1986) paced by 12.0 percent growth in manufacturing. National income (nominal GNP) increased 10.8 percent as Malaysia's terms of trade turned upward after two years of decline. The GNP in 1987 was US$29 billion (current prices). Per capita GNP reached US$1,751, up sharply from 1986 but still below the peak of 1984.

The first half of 1988 has continued the strong recovery. The Central Bank has projected real growth of 5.3 percent for 1988, but most economists now expect growth to exceed 6 percent and possibly reach 7 percent. Exports have continued to lead the recovery with export revenues for the first five months up 26 percent. As output has expanded, investment in plant and machinery has also begun to pick up and consumer spending is recovering.

In 1987 Malaysian GDP and the labor force were broken down as follows:

Sector	Percent of GDP	Percent of the Labor Force
Manufacturing	22.4	14.4
Agriculture	21.5	34.4
Mining (including petroleum)	10.6	0.9
Construction	3.8	6.3
Utilities	1.8	4.4
Transport and communications	6.8	4.8
Wholesale and retail trade, hotels, and restaurants	10.5	18.1
Government services	12.3	14.8
Finance, insurance, real estate and other services	10.9	1.9

Malaysia has 16.5 million people of mixed ethnic Malay, Chinese, and Indian background. The rate of population increase is 2.6 percent and has been projected to remain constant. About 50 percent of the population is under 20 years of age. At 115 people per square mile, Malaysia is relatively underpopulated when compared with other countries in Southeast Asia. The population is located mainly in cities on the West Coast of Peninsular Malaysia, especially the Kuala Lumpur/Klang river valley area which is Malaysia's industrial center.

In 1971 Malaysia implemented a variety of wide-ranging policies, known collectively as the New Economic Policy (NEP), designed to eliminate poverty and end the identification of race with economic function, particularly the perceived comparative economic deprivation of the ethnic Malays and other indigenous races (bumiputras in Malay), who make up about 53 percent of the population. The NEP includes a variety of affirmative action programs in education and employment. Companies are urged to ensure that their employment reflects the ethnic makeup of the population over a period of years. A share of university places are reserved for bumiputras, and a number of programs exist to assist bumiputra entrepreneurs, including favored access to government contracts.

In reviewing progress under the NEP in 1985, the Fifth Malaysia Plan concluded that progress has been made in reducing income imbalances among ethnic groups while income for all groups has risen; there has been significant improvement in the distribution of employment in all sectors; and bumiputra growth in the corporate sector has risen significantly. The overall racial share of employment reflects the racial composition of the population as a whole although bumiputras are underrepresented in manufacturing, commerce, and in the professions, but overrepresented in agriculture and the public sector.

Work Force and Employment

Total employment at the end of 1987 was estimated at 5,851,000, an increase of 2.5 percent from 1986. The labor force, however, grew by an estimated 2.8 percent to 6,080,000, resulting in a slight increase in unemployment from 8.5 percent to 8.7 percent. Employment is concentrated in agriculture, manufacturing, government services and wholesale and retail trade. The manufacturing sector is expected to be the largest growth area in employment with total employment up 6.2 percent in 1987 after an increase of only 0.6 percent in 1986. Employment continued to contract in the construction industry in 1987 as a result of the glut in commercial property. The public sector was a growth area for employment until 1985 when, for budgetary reasons, the Government effectively froze civil service hiring.

The recession and a growing labor force pushed the official unemployment rate to 8.7 percent at the end of 1987. Trade union leaders estimate that unemployment has reached 10.5 percent, but most observers believe the level remains under 10 percent. The informal sector (market stalls, night markets) has absorbed many of those unable to find formal jobs. Unemployment is concentrated among people in the 15-24 year age group. Despite relatively high unemployment, labor shortages remain, especially in the plantation sector (10,000 reported vacancies) and other areas away from the urban centers.

The "graduate unemployment" problem continues to receive priority attention from the government. Many university graduates (including those educated abroad) have found it difficult to find jobs commensurate with their educations. The return of the first large batches of students from abroad coincided with the recession as firms cut back on hiring. Even graduates in such fields as engineering, accounting, and

physical sciences, previously in great demand, are finding jobs scarce. Many of these are government scholarship students being "released" from their obligation to work in their sponsoring company or department on their return. Some people have estimated the number of unemployed graduates at 50,000 by the end of 1987, but such estimates are highly speculative. The Government has launched several programs such as internships to provide a temporary solution to the problem and is seeking to have some graduates remain abroad on work/study programs after completing their educations.

Women in the Work force

Women account for about 35 percent of the total work force in Malaysia. Female employment is proportionate to its overall share of the work force in the professional and technical fields -- overrepresented in the clerical, agricultural, services, and manufacturing sectors and underrepresented in administrative, managerial, and transport sectors. Women are particularly important in the electronics industry where they make up about 90 percent of employment. They also account for more than 70 percent of the employment in the textiles industry. In the public sector, although women make up 31 percent of the professional and managerial category, they are mostly in the teaching and nursing profession.

Legislation relating to working conditions apply equally to men and women, but there are special provisions for women workers in the Employment Act 1955. Women are also entitled to 60 days full pay maternity leave and dismissal by employers during this period is unlawful. There is no legislation for equal pay between men and women, but to a large extent women are accorded similar pay for similar work. However, a substantial wage gap still exists between men and women due in part to the fact that many women are relatively new entrants and to their underrepresentation in managerial and supervisory positions.

Wages and Benefits

Wages in Malaysia are well below levels prevailing in industrialized countries but substantially higher than any of its neighbors, except Singapore. There is no national minimum wage. Minimum wage legislation (Wages Councils Act 1947) covers only certain classes of employees: retail clerks, hotel and restaurant employees, cinema workers, and stevedores not

employed directly by a port authority. Minimum monthly wages for these workers are in the US$70-90 range in urban areas (10-15 percent lower for rural areas). Approximately 125,000 workers are covered by these wage councils.

The effective minimum monthly wage for unskilled labor in the Kuala Lumpur-Petaling Jaya area is M$225 (US$89)* per month. In the retail sector, wages below M$250 (US$99) per month are very rare. The lowest salary on the government's pay schedule is M$285 (US$113) per month. Average wages for semi-skilled production workers are M$600-700 (US$238-277) per month, with many skilled workers making more than M$1,000 (US$397) per month. In 1985, an estimated 18.4 percent of the population was below the poverty line.

An official survey of industry reported that in 1987 average earnings of unskilled workers rose 5.6 percent and 3.5 percent for management staff, compared with 6.7 percent and 4.3 percent, respectively, in 1986. Collective agreements negotiated in 1987 provided for an average pay increase of 4.7 percent over three years, compared with 8.8 percent for contracts negotiated in 1986. With inflation running below one percent per annum, even the lower 1987 settlements represented a small increase in real earnings.

In the public sector, the Government's austerity program to control expenditures continued with most public sector employees being denied any pay increases. Inflation, since the last general pay increase in 1980, has totaled 26 percent. The general pay increase due in 1985 has been deferred for most workers. The Congress of Unions of Employees in the Public and Civil Services (CUEPACS), originally sought increases ranging from 27 percent (for the lowest-paid employees) to 18 percent (for the highest paid). The unions' demands have since been reduced from a range of 20 percent to 12.5 percent. The Government rejected their demands, but granted raises of M$50 for Group D workers (the lowest paid group, representing more than half of all public sector workers) in 1985-86, and M$15-25 for those in Group C (another quarter of public sector workers). The National Joint Council -- Statutory Bodies has called for a strike in November to support pay demands. The actual strike decision, however, must be taken by the individual unions. CUEPACS has said it will wait until the 1989 budget is announced in late October before deciding on any further action.

*M$2.52 equals US$1 (1987)

The Government has not renewed its unsuccessful 1986-87 effort to cut public sector benefits. In October 1986 Finance Minister Daim Zainuddin announced three measures designed to cut government spending on pay and benefits: the ending of pensions for new civil servants and those with less than ten years service; an increase in (preferential) interest rates on housing and car loans for civil servants; and a 100 percent tax on second and subsequent pensions. By April 1987 the Government had withdrawn virtually all of the proposals, retaining only a modest increase in the interest rate on new car loans.

Statutory minimum non-wage benefits are set under the Employment Act 1955 and the Employment (Termination and Lay-off Benefits) Regulation 1980. The Employment Act 1955 applies to all workers earning less than M$1,000 per month.

The work week is 44 hours (5 1/2 days) but an increasing share of private sector employers have shifted to a 5 day/40 hour week. Union leaders estimate that a quarter of private sector employees are now on a five-day workweek.

Overtime rates apply beyond 8 hours per day/44 hours per week at 1.5 times basic rates (higher rates apply for holiday or rest day work, up to 4.5 times the basic rate). Overtime is limited to 64 hours in one month.

A minimum of one full rest day per week is provided.

Ten paid public holidays per year are provided.

Annual leave is set at 8 days per year (less than 2 years service), 12 days per year (2 to 5 years service), or 16 days per year (more than 5 years service).

Sick leave is provided at the rate of 14 days per year (less than 2 years service), 18 days per year (2 to 5 years of service), or 22 days per year (more than 5 years service).

Maternity leave is set at 60 days.

Termination or layoff benefits are equal to 10 days wages per year of service (less than 2 years service), 15 days wages per year of service (2 to 5 years service), or 20 days wages per year of service (more than 5 years of service).

Social Security Programs

Three government programs protect Malaysian workers against loss of income because of sickness, injury, death, or old age. There is no welfare program or unemployment compensation in Malaysia other than termination (retrenchment) benefits.

The Social Security Organization (SOCSO) provides workmen's compensation and disability and survivor benefits under the Employee's Social Security Act 1969. All employees earning less than M$1,000 per month (at places with more than five employees) must be insured under SOCSO's Employment Injury Insurance and Invalidity Pension programs. Cost of the two programs is shared with employees contributing 0.5 percent of their monthly pay and employers 1.75 percent.

The Employment Injury Insurance Scheme provides medical and disability benefits and benefits in the event of an employment-related injury or disease. Temporary disability benefits are 80 percent of the daily wage. Permanent disability benefits are equal to 90 percent of the employee's daily wage. In the event of the beneficiary's death, a widow or widower dependent on the beneficiary for support will receive a pension equal to 60 percent of the primary beneficiary's benefit (until he/she remarries). Any children receive a benefit equal to 40 percent of the primary benefit until age 21 or marriage. Benefits are payable for life in the case of a handicapped child. Benefits can also be paid to the dependent parents or siblings of a covered employee.

The Invalidity Pension Scheme provides benefits in the event of nonemployment-related total or partial disability. The program also provides funeral, rehabilitation, and survivor benefits. Permanent disability benefits are equal to 50-65 percent of monthly pay (depending on length of coverage). In the event of a covered employee's death, the primary benefit is payable to any survivors under the same formula as for the Employment Injury Insurance Scheme.

As of the end of 1987, a total of 3,391,000 workers were covered by SOCSO, which had reserves totaling M$1.3 billion. Total benefits paid out in 1986 were M$41.8 million, of which M$31.5 million was for disability benefits.

The Employee Provident Fund (EPF) provides old age benefits for most workers under the the Employee's Provident Fund Ordinance 1951. EPF contributions are 9 percent of wages from the employee and 11 percent from the employer (although many large

employers contribute more under their collective agreement or compensation plan). Unlike Social Security in the United States, EPF is fully funded with contributions and accrued interest being credited to the individual's account. The amount accumulated becomes available in a lump sum or in installments at retirement (age 55), if the contributor becomes disabled or if he permanently leaves Malaysia and Singapore. Under amendments made in 1986, members may withdraw up to 40 percent of the price of a low-cost house or the entire amount of their savings, whichever is lower, subject to a maximum of M$10,000. For other types of houses, members may withdraw up to 20 percent of the house's price subject to a ceiling of 45 percent of their savings or M$20,000. New benefits were also introduced to enable mentally and physically disabled members to receive a lump sum payment in addition to their savings.

At the end of 1987, total membership of the EPF (not all of whom are currently employed and making contributions) was 5,015,000, and the fund's assets reached M$32.3 billion. The majority of the fund is held in Federal Government Securities (87.6 percent). Members received a dividend of 8.5 percent in 1986 on the accumulated sum in their accounts. Similar programs covering teachers and armed forces personnel cover 140,000 people and had assets of M$1.75 billion at the end of 1987.

The Government Pension Scheme provides pensions to civil servants who retire at age 55, retire on medical grounds, or are required by the government to retire. Civil servants may also be entitled to a disability allowance if they retire as a result of a service-connected disability. Widows and minor children are also eligible for a derivative pension if the employee dies in service or after retirement. The pension scheme is noncontributory and all pension payments are charged to general revenue of the Federal Government. The Government announced in the 1987 budget speech that it would no longer place employees on the pensionable establishment. New recruits and employees with less than ten years experience (the point at which an employee becomes "pensionable") would henceforth remain under EPF in lieu of the Government Pension Scheme. Official estimates suggested that pension costs could exceed M$3 billion by 2000. In April 1987 the Government, facing a court challenge to its decision, rescinded the announcement, promising that all present and future employees would be placed under the Pension Scheme.

Industrial Relations

Two laws govern industrial relations and trade union activities in Malaysia: the Industrial Relations Act 1967 and the Trade Union Act 1959. The Trade Union Act governs the formation of unions, their form of organization, and such issues as the election of officers, financial controls, etc. The Trade Union Act is administered by the Registrar of Trade Unions, a government official.

The Industrial Relations Act 1967 governs the settlement of disputes between employers and workers and the exercise of trade union rights. In 1980 the Industrial Relations Act 1967 was amended to give the government more power to deal with disruptive strikes. These amendments were criticized by local labor organizations and by the International Labor Organization.

Collective bargaining is the norm in Malaysia, but the system provides for an active government role to promote conciliation and arbitration when such efforts fail. Either the union or management may request Industrial Relations Department (part of the Ministry of Labor) conciliation. Such conciliation applies not only to collective agreement disputes between unions and employers, but also to such issues as unfair dismissal (whether the employee belongs to a union or not), nonpayment of contractual wages, etc. Most disputes are resolved at this conciliation stage.

The following table summarizes the volume and types of disputes notified to the Ministry of Labor:

Year	1984	1985	1986	1987
Dismissal & retrenchment	259	409	492	467
Pay and working conditions (including coll. agreements)	417	251	480	383
Other	46	188	151	151
Subtotal	722	848	1,123	1,001
Plus: carry-over from previous year	110	75	112	281
Total cases	832	937	1,235	1,282

Year	1984	1985	1986	1987
Disposed of	757	825	954	1,036
-- conciliation	650	712	796	920
-- refer to Industrial Court	107	113	158	116
Carried over	75	112	281	246

If conciliation and direct negotiations between the employer and the union (or individual employee) fail to reach a mutually satisfactory solution, the case may be referred by the Minister of Labor to the Industrial Court. (Most cases referred to the court by the Ministry of Labor (53 percent in 1987) dealt with the dismissal of nonunionized employees). Parties may also apply directly to the Industrial Court, generally in cases of noncompliance with or interpretation of a previous award concerning a collective agreement. In addition to cases involving terms and conditions of employment or unfair dismissal, the Industrial Court serves as an arbitration panel to resolve deadlocks in collective agreement negotiations.

Whenever a union and employer are unable to reach agreement between themselves, they are required to inform the Ministry of Labor that a dispute exists. The Minister has the power at any time to refer the dispute to the Industrial Court, in which case the union is barred from any industrial action. The Industrial Court hears a case as a panel consisting of a chairman and three members, one each from lists representing neutral parties, the employers, and workers. The three lists have been established in consultation with the Malaysian Trade Union Congress (MTUC) and the Malaysian Employers Federation. The chairman is either the president of the Industrial Court or one of the other chairmen appointed to increase the number of panels. The panel will hear the dispute and render an award, which is binding on both parties. In the case of a collective agreement, the court may make an award on any aspect of the agreement still in dispute. The union is barred from any industrial action with respect to any aspect of an Industrial Court award.

The following table summarizes the Industrial Court's caseload:

Year	1984	1985	1986	1987
Referred by the Minister				
-- Terms and conditions -- (including collect. agree.)	60	59	77	66
-- Dismissal (Union member)	65	60	90	52
-- Dismissal (Nonunion)	92	149	300	132
Direct Reference				
-- Amendment to a C.A.	12	5	6	2
-- Interpretation of a C.A.	8	9	5	13
-- Noncompliance with award	72	32	62	59
-- Noncompliance with C.A.	66	69	102	89
-- Leave to appeal to High Court	17	31	33	29

Strikes

Strikes are relatively rare in Malaysia and generally of short duration. In 1986, there were 13 strikes involving 3,178 workers compared with 23 strikes covering 3,957 workers in 1985. The largest number of strikes (11 involving 1,772 workers) was in the plantation sector. There was only one strike in a manufacturing enterprise. A total of 11,035 man-days were lost to strikes in 1987 (14,333 in 1986). The Ministry of Labor reported a total of 1,001 industrial disputes of all kinds, involving 70,115 workers, down from 1,123 disputes involving 72,833 workers in 1986.

Labor Unions in Malaysia

As of December 31, 1987, there were 409 individual unions in Malaysia with 606,532 registered members. Unions are organized among workers in "a particular trade, occupation or industry . . . or similar trades, occupations or industries" (Trade Union Act 1959). Unions are not allowed to organize

workers in industries outside their primary one. As a result, Malaysian private sector unions are generally organized on industry or company lines. It is not uncommon for more than one union to be represented in a single employer, but the different unions represent quite different classes of employees.

After growing steadily up to 1983, trade union membership has stagnated. The decline in the membership of the National Union of Plantation Workers (NUPW) from 120,000 in 1980 to only 90,000 in 1987 has offset gains made by other unions. NUPW is by far the largest union in Malaysia, accounting for nearly 15 percent of all organized workers. NUPW leaders attribute the union's falling membership to the use of contract and undocumented workers who do not join the union and the conversion of rubber estates to palm oil which is less labor-intensive. Another factor is the conversion of rubber estates near urban areas into housing developments. Other unions have grown or shrunk with the fortunes of the industries they cover.

The trade union movement is organized into two main bodies. There are 131 unions with 333,000 members, which belong to the Malaysian Trade Unions Congress (MTUC). The CUEPACS groups together 55 unions with approximately 125,000 members employed by the federal and state government and statutory bodies. Several large national unions, including the National Union of Petroleum and Chemical Workers (NUPCW), the National Union of Bank Employees (NUBE), and the National Union of Commercial Workers (NUCW), do not belong to either group whereas an increasing number of CUEPACS affiliates are also members of MTUC.

In-House Unions

What many union leaders see as official encouragement of company unions (in-house unions) has been a contentious issue in the past two years. As of the end of 1987, 210 in-house unions represented 189,000 workers, up from 199 in-house unions representing 181,000 workers in 1986. Most in-house unions are in the public sector, although the privatization of the telecommunications department and other government services has moved a number of in-house unions into the private sector. The Government, particularly the Prime Minister, see in-house unions as creating a better industrial relations climate between employers and workers. The leaders of the national unions see them as weakening their own unions and reducing the

protection union membership affords a worker. The table below shows that in-house unions are primarily a feature of the public sector (including statutory bodies and local government). In the private sector, in-house unions represent less than 10 percent of organized workers.

IN-HOUSE UNIONS IN MALAYSIA

	1982	1984	1986	1987
PUBLIC SECTOR				
-- Number in-house unions	133	134	138	139
-- Membership	130,235	144,291	152,415	139,053
-- Total union members	300,704	306,329	314,360	296,431
-- Pct in in-house unions	43.3	47.1	48.5	46.9
PRIVATE SECTOR				
-- Number in-house unions	36	43	61	71
-- Membership	20,127	21,665	28,559	50,508
-- Total union members	310,780	286,882	291,313	309,482
-- Pct in in-house unions	6.5	7.6	9.8	16.3
TOTAL				
-- Number in-house unions	169	177	199	210
-- Membership	150,362	165,956	180,974	189,861
-- Total union membership	612,218	593,986	606,494	606,532
-- Pct in in-house unions	24.6	28.0	29.9	31.3

Major Developments in the Trade Union Movement

The trade unions' year was dominated by the Government's plans to amend Malaysia's labor legislation and, since June, by the AFL-CIO's petition seeking withdrawal of Malaysia's preferential trade privileges under the GSP.

With neither MTUC nor CUEPACS holding delegates conferences during this period, there were no major changes in union leadership. MTUC Secretary General and Transport Workers Union (TWU) General Secretary V. David was detained October 28 under Malaysia's Internal Security Act (ISA). David, who is a Member of Parliament for the opposition Democratic Action Party (DAP), was detained in a widespread crackdown on politicians, prominent Government critics, and people suspected of links with the illegal Communist Party of Malaya. David and other Government critics were accused of inflaming racial tensions in this multiracial country. David was served with a two-year detention order under the ISA, but he was released on June 4, 1988, and has resumed his role in the MTUC and the TWU.

Long-standing efforts to merge MTUC and CUEPACS into a single labor center, the United Malaysian Labor Movement (UMLM), are effectively a dead issue. The initial impetus for this unification was the annual dispute over who would represent Malaysian workers at the International Labor Organization's annual meeting. The principal issues affecting both sides was whether CUEPACS would lose its identity as a separate organization in an expanded MTUC and the allocation of leadership positions in the new organization. In late 1985 a compromise was reached whereby the MTUC would change its name to the UMLM, CUEPACS would retain its identity as a separate organization for civil service unions, civil service unions would reaffiliate with the UMLM, and civil service unions would obtain increased representation on a reconstituted UMLM governing board.

In December 1986 the Registrar of Trade Unions requested a number of amendments to the proposed constitution of the UMLM, some of them apparently unacceptable to the unions. In addition, a number of important public sector unions have renewed their affiliation with MTUC. As a result, the interest of MTUC leaders in the UMLM has faded. Effectively, MTUC is becoming the UMLM. This trend, if it continues, will restore MTUC's position as the sole national labor center in Malaysia. The Government, however, continues to treat MTUC and CUEPACS as equal representatives of labor in Malaysia, including naming CUEPACS president Ragunathan as the principal workers delegate to the 1988 International Labor Conference with MTUC President Zainal Rampak as deputy delegate.

Labor Law Amendments

In July 1986, the Government submitted to Parliament two amendments to Malaysia's labor legislation. One would have added the word "establishment" to the definition of a trade union in the Trade Union Act 1959, which presently limits a union to a "particular trade, occupation or industry...." The second proposed amendment would have reversed a 1982 court decision by redefining wages for the basis of calculating overtime pay. At present, all special allowances (meals, uniform, travel, etc.) and benefits such as vacation time are prorated on an hourly basis when calculating the "wage" to which overtime premiums are applied and would reduce overtime premiums (currently 150 percent up to 450 percent for work in excess of eight hours on a rest day or public holiday). The trade union movement vigorously opposed both amendments, particularly the change in the Trade Union Act, which they

contended was designed to favor in-house unions at the expense of industry-wide national unions. The Government insisted that the change was necessary to clarify the legal standing of existing house unions and to protect them from legal challenges by national unions. After the Malaysian Employers Federation (MEF) called for a total review of Malaysia's labor legislation, a call endorsed by MTUC and CUEPACS, the Government withdrew the amendments.

In May 1988, the Government presented the tripartite National Labor Advisory Council (NLAC) with twelve proposed amendments to the labor laws for presentation to Parliament in July. The Government's proposals included the following key provisions:

Classify all government departments and statutory bodies as "essential services" where the union must give longer notice of any industrial action.

Bar lawyers and other advisors from Industrial Court proceedings.

Add the word "establishment" to the definition of a union.

Limit to 12 months the period for which the Industrial Court can order back pay in unfair dismissal cases.

Bar trade unions from being organized at any company granted "pioneer industry" (essentially tax free) status. Pioneer status is normally granted for five years, but can be renewed for a further five.

Allow the Industrial Court to enforce compliance with its awards. At present, if an employer refuses to implement an award, the union must seek redress through the High Court.

The trade unions again opposed the amendments. In early June leaders of MTUC and CUEPACS met with Deputy Prime Minister Ghafar Baba, who chairs the cabinet committee on labor law reform, to voice their concerns. After their meeting, they announced that the Deputy Prime Minister had agreed that the amendments should not be submitted to Parliament pending further review by the NLAC and the Cabinet. As of late July, the amendments have been resubmitted to the NLAC. The latest revisions reportedly go some way towards meeting the concerns of the trade unions.

The GSP Petition

On June 1, 1988, the AFL-CIO submitted a petition to the U.S. Trade Representative (USTR) urging that Malaysia's tariff preferences under the GSP be withdrawn on the grounds that Malaysia did not respect internationally recognized workers rights. Petitions were filed by the AFL-CIO and other groups against thirteen countries. The AFL-CIO petition claimed that Malaysia's laws unduly restricted the freedom of association of Malaysian workers, that they deny workers the right to organize and bargain collectively, and that the laws fail to provide acceptable conditions of work, specifically that they lack a minimum wage. The petition's specific allegations included:

> The October 1987, detention of 106 persons under the Internal Security Act was designed to "disable all independent organizations," including trade unions.
>
> Because there is no national minimum wage, Malaysia fails to provide acceptable conditions of work.
>
> The Trade Union Act 1959 and the role of the Registrar of Trade Unions constitute unwarranted interference in the internal affairs of unions.
>
> The Government has denied workers in industries located in free trade zones, particularly the electronic components industry, the right to form unions.
>
> The law unduly restricts the form of a collective agreement by excluding certain issues.
>
> The Industrial Court's power of compulsory arbitration denies workers and employers the right to bargain free from outside interference.

One controversial aspect of the AFL-CIO petition is the role of MTUC Secretary General V. David in allegedly encouraging the AFL-CIO. According to the petition, V. David "explicitly and unequivocally urged the AFL-CIO to press for withdrawal" of Malaysia's GSP privileges. The Government severely criticized David, who had been released from detention just before the petition became public, for "disloyalty and betrayal of workers." David has publicly stated that he spoke out against Malaysian abuses of trade union rights at an AFL-CIO seminar, but denied urging the AFL-CIO to petition against Malaysia's GSP benefits.

(In August 1988, the U.S. Government announced that it would accept the AFL-CIO petition for further review. There will be opportunities for all interested parties to present their views, including a public hearing.)

Privatization

The Malaysian Government's program of privatizing public entities or government-owned companies continues to concern labor unions. Major privatizations so far include such "commercial" activities as the Port Klang Container Terminal, the Royal Malaysian Air Force aircraft overhaul facility, Sports Toto (a national lottery) and the Telecommunications Department. The largest privatization project to date is the conversion in 1987 of the Telecoms Department into Syarikat Telecoms Malaysia Berhad (STMB). The government still owns 100% of STMB's equity but hopes to list the company on the stock exchange in five years. Completion and operation of the North-South Highway, a 700-kilometer toll expressway from the Thai border to Singapore, has been contracted out to a private consortium which will collect tolls for 20 years to recover its investment. Still planned is privatization of the rest of Port Klang's operations (non-containerized cargo), Penang Port, the National Electricity Board (NEB), and the Malayan Railways (KTM) as well as a number of smaller government operations.

The past privatizations have generally resulted in higher pay for employees in exchange for the loss of certain civil service benefits like pensions. The National Union of Telecoms Employees (NUTE) won a substantial pay increase (averaging 25%) and generous retirement benefits for STMB's 28,000 employees in exchange for the loss of civil service allowances and withdrawal from the government pension scheme. In early 1988, CUEPACS affiliates held a conference on privatization at which the unions decided to oppose future privatizations in the field of public utilities "which provide essential services." Subsequently, the five unions representing NEB's 25,000 employees resolved to oppose the planned privatization of NEB. Discussions between the NEB and its unions have already become strained with the unions refusing to attend one meeting at which the merchant bank charged with drawing up a privatization program was to present its plan.

Malaysian Unions on the International Scene

Malaysian unions are very active in international labor affairs. P.P. Narayanan, NUPW Secretary-General and MTUC Honorary Life President, has been reelected for an unprecedented fourth term as President of the International Confederation of Free Trade Unions (ICFTU). MTUC Secretary-General V. David was a member of the ILO Governing Body from 1985-87 and will assume a seat again in December 1988, under an agreement to split the seat with Augus Sudono of Indonesia. In addition, a number of Malaysian trade union officials are also officials of international trade secretariats in such fields as transport workers, metalworkers, teachers, construction, and telecommunications.

Malaysian labor leaders have also been active in establishing a regional union organization in ASEAN called the ASEAN Trade Union Council (ATUC). ATUC has applied for recognition as an official ASEAN nongovernmental organization, but to date, ATUC's application has not been acted upon.

Labor Migration

Labor migration is a significant factor in Malaysia. Malaysia is an exporter of labor to Singapore and, to a lesser degree, to the Middle East. Malaysia is also an importer of large numbers of workers from Indonesia and the Philippines. Migrants come to Malaysia because of the higher Malaysian wages for low skilled jobs that many Malaysians shun. The principal centers of labor migrants are Johore, which attract migrants from Indonesia, and Sabah and Sarawak which attracts migrants from the Indonesian part of the island of Borneo and from the southern Philippines. Thai workers are also employed in the northern part of Peninsular Malaysia. Estimates of the number of illegal workers vary, but unions claim that there are at least one million.

Prior to the 1985 recession, the Malaysian Government took a relaxed approach to migrant labor in Malaysia. Faced with labor shortages, particularly in the plantation and construction industries, government efforts were focused on regulating migrant labor, not preventing its entry into Malaysia. In May 1984 the Malaysian and Indonesian Governments signed an agreement establishing border crossing points for migrant labor and regulating contract labor. As a result of the recession, however, illegal immigrants are seen as taking

jobs away from Malaysians. In addition, illegal Filipino immigrants were allegedly involved in political disturbances in Sabah in 1986. The new state government of Sabah demanded that the Federal Government act to repatriate illegal Filipinos. Malaysia has cancelled the Indonesian agreements and has begun an active program of deporting illegal immigrants. Estimates of the numbers of Indonesian illegals which have been deported run as high as 40,000 over the past year. In addition, the Malaysian Government has warned employers that action will be taken against them if they hire illegal immigrants.

Despite a rising unemployment problem, the plantation and construction sector and recently the logging and timber industry in Malaysia face labor shortages. The plantation industry claims 10,000 vacancies and has told the Government that its inability to attract workers threatens its expansion plans. The chief executive of the United Planting Association recently urged the Government not to deport genuine foreign workers. The Government refused to legalize the foreign workers in the plantation sector. A subsequent call by the Johore Planters' Association to grant expatriate status to plantation workers came under fire by both political parties and unions.

On the other side of the issue, Malaysia welcomed Singapore's move in March by relaxing the intake of Malaysian workers with O-level GCE qualifications (11th grade in the U.S. system). Malaysian workers are already important in Singapore's construction industry and some manufacturing sectors. Singapore will now permit Malaysian workers to be hired in the retail sector. The Chief Minister of Johore hailed the Singaporean decision as a way to reduce the number of unemployed school leavers. Singapore reportedly needs about 2,000 full-time sales workers. At present, some 20,000 Malaysians work in Singapore. Some are housed in Singapore by their employers, but a majority commute daily between Johore Bahru and Singapore.

TABLE 1

Average monthly earnings by major industry in 1984 (US$)

Electronics industry	
a) Production supervisor	726
a) Production operator	208
Textiles industry	
a) Production supervisor	266
b) Knitting machine operator	126
c) Sewer	126
d) Cloth weaver	117

Average monthly earnings by major occupation:

a) Top Management	1,411 - 2,016
b) Mid Level Management	806 - 1,210
c) Chemist	1,067
d) Accountant	1,148
e) Production Manager	1,150
f) Sales Manager	1,475
g) Personal Secretary	395
h) Typist	262
i) Production Supervisor	403
j) Truck driver	403
k) Laborer	147

TABLE 2

Membership in Major Malaysian Labor Unions

Name of Union	1980	1986	1987
1. Nat'l Union of Plantation Workers (MTUC)	115,746	100,052	90,410
2. National Union of the Teaching Profession (CUEPACS)	23,947	28,257	29,084
3. National Union of Bank Employees	11,241	12,922	19,201
4. The Amalgamated National Union of Local Authorities Employees, Peninsular Malaysia (CUEPACS)	12,680	18,025	19,036
5. National Union of Telecoms Employees (MTUC)	8,840	17,133	17,985
6. Malay Teachers Union, West Malaysia	N/A	14,348	14,768
7. Nat'l Union of Commercial Workers	15,065	14,571	12,782
8. Transport Workers Union, Peninsular Malaysia (MTUC)	8,503	10,447	11,244
9. National Electricity Board Employees Union (CUEPACS)	7,536	10,574	10,536
10. Electrical Industry Workers Union (MTUC)	5,171	8,775	9,786
11. Armed Forces Workers Union (CUEPACS)	6,873	8,074	9,332
12. National Union of Hotel, Bar and Restaurant Workers (MTUC)	N/A	7,635	8,852
13. National Union of College-Trained Teachers	N/A	8,767	8,640
14. National Union of Petroleum and Chemical Industry Workers	8,408	7,884	8,007

Name of Union (continued)	1980	1986	1987
15. Metal Industry Employees Union (MTUC)	6,993	7,515	6,960
16. Nonmetallic Mineral Product Manufacturing Employees Union (MTUC)	N/A	N/A	6,716
17. Sarawak Government Officers Union	N/A	N/A	6,558
18. FELDA Employees Union	N/A	N/A	6,417
19. Malayan Technical Services Union (CUEPACS, MTUC)	6,463	9,693	6,483
20. National Union of Public Works Department Employees (CUEPACS)	6,610	N/A	5,994
21. Textile and Clothing Industry Union Pulau Pinang and Seberang Perai (MTUC)	6,333	6,050	5,875
22. Railwaymen's Union of Malaya (CUEPACS)	7,486	5,519	5,490

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